

Procedure: <b>Establishing, Amending and Cancelling Encumbrances</b>	Policy: <b>Encumbrance of Grant Funds</b>		Number: <b>GP900.1</b>
	( ) Complete Revision ( ) Partial Revision ( X ) New	Supersedes:	Page: <b>Page 1 of 3</b>

### Overview of Procedures

Encumbrance accounting helps to ensure that total actual expenditures plus related commitments do not exceed budgets in a given year or grant Award period. Therefore, creating, modifying or cancelling encumbrances originate with the Grant Program Manager (GPM) and School per the policy [GP0800 Allowable Use of Funds and Adherence to Cost Circulars](#) and related procedure on SRC Resolutions and Limited Contract Authority documents.

### Procedure Details

RESPONSIBLE POSITION	Step	ACTION TAKEN
		<b>ESTABLISHING ENCUMBRANCES</b>
GPMs / Principals	1	Establish encumbrances per policy GP0800 Allowable Use of Funds and Adherence to Cost Circulars and <a href="#">GP0900 Encumbrance of Grant Funds</a> .
OMB Budget Operations Assistant (BOA)	2	For Resolutions submitted through the On-Line Resolution system (ORS), complete the “header” table of the OMB Contract Tracking Database and provide a copy of the resolution to the appropriate Grant Budget Analyst (GBA).
GBA	3	Review the Resolutions to ensure that sufficient funds exist and the correct ABC code(s) are used. GBAs should review those resolutions to be sure multi-year agreements are disaggregated by fiscal year, and the grant has sufficient resources to pay for the multi-year commitment, or will likely have the resources such that the award is consistent in the yearly amount.  Follow the procedures for Resolutions described in <a href="#">GP0800.2 SRC Resolutions and LCAs</a> .
		<b>ENCUMBRANCE REDUCTIONS AND CANCELLATIONS DURING THE ACTIVE GRANT AWARD</b>
GPM	4	Request, via e-mail, an encumbrance reduction or cancellation to the GBA. Include supporting documentation, such as:  <u>For encumbrance cancellations</u> , send the GBA in writing a certification that there is no longer or there never was a contract with any vendor for the services indicated in the resolution, and certifies that the encumbrance will not be used to incur any contractual or non-contractual expenses in the Award period for the program or function that was the intended purpose of the encumbrance and resolution.  <u>For encumbrance reductions</u> , send the GBA a signed document from the vendor indicating that they will not perform services or deliver

RESPONSIBLE POSITION	Step	ACTION TAKEN
		<b>ENCUMBRANCE REDUCTIONS AND CANCELLATIONS DURING THE ACTIVE GRANT AWARD (CONTINUED)</b>
		<p>goods in excess of a certain amount which justifies the lowering of the encumbrance, and provide a revised grant eligible plan for the use of those dollars. A budget amendment with the Grantor may be required (See policy <a href="#">GP0200.3: Budget Amendments</a>).</p> <p><u>Encumbrance increases</u> are likely to occur when a multi-year grant Resolution was encumbered for a single year based on the estimate of activity in that year, and program needs are such that additional dollars need to be expended in the current year with fewer dollars expended during the remaining years of the Resolution tied to the grant award. Send the GBA a request describing the situation that provides justification the increase is necessary and the total amount to be encumbered over the period of the multi-year Resolution and award will not exceed the total Resolution “not to exceed” amount.</p>
GBA	5	<p>Review the requests for cancellations and reductions. If questions arise, confer with the Grant Compliance Office and GPM as necessary.</p> <p>If the request is satisfactory, forward the documentation to the BOA to take the appropriate action regarding the encumbrance.</p>
BOA	6	Execute the encumbrance reduction / cancellation request in the Advantage system and notify the GPM when complete.
		<b>CANCELLATION OF ENCUMBRANCES AT THE END OF THE AWARD PERIOD</b>
GPM	7	Periodically review all open purchase orders, contracts and the related encumbrances in an effort to fully liquidate encumbrances or disencumber funds to the extent possible.
GBA	8	Review Award encumbrances and alert GPMs and school personnel 90 days prior to the end of the grant period and immediately after the Liquidation Period begins to review and dispose of all open encumbrances. Work with GPM to liquidate and close encumbrances.

**Policy**

- *GP0900 Encumbrance of Grant Funds*

**Forms**

**Definitions**

**Contacts**

- *Grant Fiscal Services*
- *Office of Management and Budget*
- *Grant Compliance Office*

**Frequently Asked Questions**

**Related Information**

- *GP0800 Allowable Use of Funds and Adherence to Cost Circulars*
- *GP0800.2 SRC Resolutions and LCAs.*
- *GP0200.3: Budget Amendments*
- *GP0900 Encumbrance of Grant Funds*

**History**

**Amended:**

- Amended on 2/1/2013 to clarify the management of encumbrances through the Lapse Period and Financial Close period.
- Amended on 4/24/2015 for technical adjustments.

Issue Date: 7/2/2012	Effective Date: 7/1/2015	Approved by: Chief Grant Development and Compliance Officer
-------------------------	-----------------------------	--